

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 1121-01
BILL NO.: HB 308
SUBJECT: Department of Agriculture; Taxation and Revenue
TYPE: Original
DATE: February 20, 2001

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| None | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| None | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Agriculture** assume that the proposed legislation would have no fiscal impact on their agency. Under the proposed legislation, the department's total workload would not be increased, but would be unevenly distributed to the last few days of the fiscal year as opposed to current workload in which the credits are issued as applications are received.

Officials from the **Department of Economic Development** assume the proposed legislation would have no fiscal impact on their agency. Officials assume the proposed changes would be administered by the Department of Agriculture.

Officials from the **Office of Administration - Division of Budget and Planning** assume that the proposed legislation should not result in additional costs or savings to their agency. Officials noted that it is assumed that utilization of tax credits will increase up to the \$6 million cap. However, the increase in utilization is unknown.

Officials from the **Department of Revenue** stated that they do not anticipate a significant increase in the number of new credits filed. Therefore, the Department will not request additional FTE at this time. However, if the Department is incorrect in this assumption, the Department will need one Temporary Tax Season Employee for every 150,000 additional credits, one Tax Processing Tech I for every 10,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

Officials from the **Department of Insurance** stated that there are 1631 taxable insurance companies who conduct business in Missouri. If each company invested up to the maximum credit costs would be \$24,465,000. There are approximately 300 domiciled companies. If only those companies invested to the maximum tax credit costs would be \$4,500,000. The Department of Insurance cannot estimate the impact of the addition of a new type of project to the new generation cooperative agricultural credit program. It is assumed that it would increase the credits taken against an insurance companies premium tax liability and therefore reduce revenues to GR and the County Foreign Insurance Fund which is later distributed to the school districts.

Oversight notes that Section 348.434, RSMo states that "the aggregate of tax credits issued per fiscal year pursuant to sections 348.430 and 348.432 shall not exceed six million dollars". The tax credits referred to in this proposal are new generation cooperative tax credits (Section

ASSUMPTION (continued)

348.432, RSMo). Although more tax credits may be issued due to the passage of this proposal, this proposal does not change the limit on tax credits allowed, therefore, Oversight assumes this proposal would have no fiscal impact on state or local funds.

| <u>FISCAL IMPACT - State Government</u> | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|---------|---------|
| | \$0 | \$0 | \$0 |

| <u>FISCAL IMPACT - Local Government</u> | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|---------|---------|
| | \$0 | \$0 | \$0 |

FISCAL IMPACT - Small Business

Small businesses that are eligible for the tax credits mentioned in this proposal could be fiscally impacted by this proposed legislation.

DESCRIPTION

This bill creates an additional kind of new generation cooperative agricultural project which qualifies for tax credits. A new generation cooperative with an investment of \$15 million or more and employing at least 150 employees will be eligible for up to \$3 million in tax credits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
Department of Insurance
Department of Natural Resources

L.R. NO. 1121-01
BILL NO. HB 308
PAGE 4 OF 4
February 20, 2001

SOURCES OF INFORMATION (continued)

Department of Revenue
Office of Administration - Division of Budget and Planning

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director

February 20, 2001